

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, October 19, 2001, 9:30 a.m.

Utah County Commission Board Room

Administration Building, 100 East Center Street #2300, Provo

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9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of August 23 Minutes	Gary Herbert
	2002 General Budget	Shawn Guzman
	Loss Control Report	Mark Brady
	Broker's Report	John Chino
	Director's Report	Shawn Guzman
	Third Quarter Broker Review	
	Joint Policy—Insurance Coverage for Special Service Districts and Other Entities	
	Amendment to Bylaws—Nominating Committee	
	Membership Meeting Agenda	Shawn Guzman
	Summary of Financial Statements	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, Physical or Mental Health of an Individual	
	Other Business	
	Adjourn	
12:00	Lunch Provided	

UACIM BOARD OF TRUSTEES MEETING

MINUTES

October 19, 2001, 9:30 a.m.

Utah County Administration Building, Provo, Utah

BOARD MEMBERS PRESENT

Gary Herbert, President, Utah County Commissioner
Ken Bischoff, *Secretary-Treasurer*, Weber County Commissioner
Kay Blackwell, Piute County Commissioner
Lynn Lemon, Cache County Executive
Ty Lewis, San Juan County Commissioner
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Dan McConkie, *Vice President*, Davis County Commissioner
LaVar Cox, Millard County Commissioner

OTHERS PRESENT

Mindy Adams, Davis County Risk Management Specialist
Shawn Guzman, UACIM Director
Mark Brady, UACIM Loss Control Manager
Sonya White, UACIM Administrative Assistant
John Chino, Account Manager, Arthur J. Gallagher

CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Dan McConkie and LaVar Cox requested to be excused from this meeting due to out of state commitments. Ty Lewis made a motion to excuse Dan McConkie and LaVar Cox from this meeting. Ed Phillips seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held August 23, 2001 were previously sent to the Board Members for review. Ed Phillips made a motion to approve the August 23, 2001 meeting minutes as written. Royal Norman seconded the motion, which passed unanimously.

2002 GENERAL BUDGET

Shawn Guzman reviewed the proposed 2002 general budget with the Board (see attachment #1). Revenue for the Mutual is premiums written of \$3,576,825 (\$209,000 under funding of the loss fund) and investment income of \$300,000 (down \$100,000 from 2001 budget)—interest has dropped from almost seven percent a month to 3.6 percent. Losses and Loss Expenses for the Mutual are budgeted at \$1,850,000 losses (attachment point), claims management expenses at \$232,960 (a four percent increase for the Mutual's third-party claims administrator, McLarens Toplis) and reinsurance at \$1,064,659 (a 22 percent increase). Administration expenses include broker fees at \$80,000, administration fees at \$494,804, professional fees at \$30,255 and other expenses at \$31,300. The budgeted Net Income for 2002 is \$92,847. The actual amount for professional fees and other expenses may be lower than budgeted if the legislation, to exempt insurance mutuals from the Insurance Department regulations, passes. Shawn explained that he would like to investigate the possibility of an in-house claims department and will produce a proposal for the Board in 2002. Lynn Lemon made a motion to approve the 2002 General Budget and presented. Kay Blackwell seconded the motion, which passed unanimously.

LOSS CONTROL REPORT

As directed by the Board, Mark Brady reviewed his loss control plan to eliminate increasing automobile trends (see attachment #2). His *Driver Safety Plan* covered the assessment of auto claims and losses, strategy to reduce loss and additional services to be provided. Mark is evaluating an independent witness pilot program being conducted in Wasatch County and introduced Steve Williams to further explain this program (see attachment #3). Information was provided to POST to evaluate the frequency and severity of law enforcement accidents and the results found that county accidents per automobile were lower than the state's accidents. Ty Lewis questioned whether Mark had considered raising the auto physical damage deductible. Mark had not, given that Shawn Guzman had researched that concept a couple of years ago and found that there was resistance to increase the deductible again because it did not lower premiums. Shawn and Ty Lewis pointed out that statistically, when the Mutual raised the deductible the first time from \$500 to \$1000, losses decreased. By focusing more on driver training and safety, Mark will consult with each member county semi-annually and as requested and/or necessary. Ty Lewis requested Mark to compile data showing what department(s) is having the most accidents and details of the accidents.

BROKER'S REPORT

John Chino thanked the Board for their confidence in the Arthur J. Gallagher Company by awarding them the Mutual's brokerage contract for another year.

John Chino reported that Travelers Insurance Company has given notice that they are providing a limit of \$1,000,000 per county for Extra Expense coverage for the 2002 property policy. Extra Expense is defined as coverage for county locations that would remain in operation even in the event of a major physical property damage loss—coverage to insure the extra cost of keeping a location that is vital to the public operational despite damage to the existing facility. Total limit for the Mutual would remain at \$25,000,000 with a sub-limit of \$1,000,000 per county per loss. John wanted to point this out to the Board because it was not clear in the proposal. The \$1 million limit should be adequate for the smaller counties but the larger counties may want to look at increasing the limit for an additional premium. John and Shawn Guzman will go through the property schedules to see what counties, if any, need a higher limit and have a proposal ready for the Board at the next meeting.

Gulf Insurance Company is non-renewing the Mutual's Tenant User Liability Insurance Program (TULIP) as of November 1, 2001. John explained that this type of program is not easily available and due to the September 11 attacks premiums have increased substantially—100-200% for third-party coverage. John is working with Shawn to place a blanket third-party user policy for Weber County.

DIRECTOR'S REPORT

Third Quarter Broker Review Shawn Guzman reviewed the outlined performance measurements (see attachment #4) for the brokers, Rich Stokluska and John Chino, third quarter 2001. Ty Lewis made a motion to approve payment of the third quarter broker performance bonus. Royal Norman seconded the motion, which passed unanimously.

Joint Policy—Insurance Coverage for Special Service Districts and Other Entities Proposed amendments were previously sent to the Board for review (see attachment #5). Shawn Guzman explained that the Attorney General's office is taking the position that Children's Justice Centers (CJC) at-large Advisory Board Members are insured by the counties since the counties are responsible for the CJC. This is not the case under the Mutual's current Joint Policy. The Mutual cannot cover other governmental entities or those appointed by the CJC Board. Under the current statute, county commissioner/council members do not have authority over the CJC Advisory Board. The Mutual covers only county employees serving on the CJC Board. The Mutual Board directed the Litigation Management Committee to review the proposed amendments to the Joint Policy and make a recommendation to the Board at its next meeting.

Amendment to Bylaws—Nominating Committee Proposed amendments were previously sent to the Board for review (see attachment #6). As directed by the Board, Shawn Guzman drafted language to Article Five—Board of Trustees to elect a Nominating Committee. Also, language was changed/added to clarify elected and appointed positions on the Board and that elected officials can only hold elected positions. Tex Olsen made a motion to approve the language to elect a Nominating Committee. Lynn Lemon seconded the motion, which passed unanimously. Ty Lewis made a motion to approve the language that only elected officials are eligible to hold elected Trustee positions on the Board. Royal Norman seconded the motion, which passed unanimously. Ken Bischoff directed Shawn to change/add language to section Article 5.2 that the Chair of the Personnel Committee shall be an appointed Trustee position on the Board making the Board composed of twelve persons. Lynn Lemon seconded the motion, which passed unanimously. Because of the twelve member Board, Tex Olsen made a motion to add language that the President of the Board shall only vote in the event of a tied vote. Ken Bischoff seconded the motion, which passed with Ty Lewis opposing.

MEMBERSHIP MEETING AGENDA

Sonya White reviewed the proposed outline of the November 14, 2001 Annual Membership meeting agenda with the Board (see attachment #7). The Board approved the items to be discussed and the presenters assigned.

SUMMARY of FINANCIAL STATEMENTS

The financial statements for the months ending July and August were previously sent to the Board Members for review and the September financial statements were distributed and reviewed at this meeting. Shawn Guzman reported that the total liabilities and surplus (page three) is at \$9,485,829 an increase of \$285,000 from August. The net income (page four) is at \$220,949 an increase of \$17,500 from August but down \$147,325 from September 2000. Change in surplus (page five) is at \$4,641,859 an increase of \$840,688 Incurred But Not Reported (IBNR) claims released by the actuaries. Cash flow (page six) is at \$9,485,121 an increase of \$21,405 from August and an increase over \$1,115,000 from last year. The interest rate in September for the assets held with the Utah Public Treasurers' Investment fund was 3.605%, half of the 2000 rate. With the year 75% complete, net income under the budget to actual comparison (page 12) is at 96%. The Mutual continues to grow.

SET DATE and TIME for CLOSED MEETING

Lynn made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation to begin at 1:00 p.m. on October 19, 2001. Royal seconded the motion, which passed unanimously.

Royal Norman made a motion to conclude the closed meeting at 1:10 p.m. on October 19, 2001. Tex Olsen seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion, regarding case number 801WAT978235, that the Mutual will enter into an agreement with Wasatch County, terms acceptable to the Litigation Management Committee, wherein the Mutual will continue to pay legal expenses up to the \$250,000 self insured retention (SIR) and up to a limit of \$50,000 beyond the SIR. In the agreement, Wasatch County agrees to reimburse the Mutual for all expenses paid above the SIR if the Mutual receives an adverse ruling in the deck action filed by Great American. The agreement is contingent upon the approval of Michel & Manning and Weiss Berrett Petty, the Mutual's coverage council. Ed Phillips seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Kent Sundberg made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical or mental health of an individual to begin at 1:15 p.m. on October 19, 2001. Ken Bischoff seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting at 1:40 p.m. on October 19, 2001. Royal Norman seconded the motion, which passed unanimously.

OTHER BUSINESS

The next Board of Trustees meeting is scheduled for Thursday, December 13, 2001 at 9:30 a.m. at the UAC Building.

Approved on this 13 day of December, 2001

M. Lynn Lemon
UACIM Secretary-Treasurer

AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH)
)
) :ss
COUNTY OF UTAH)

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.


2. That the Affiant, on or about the 19 day of October, 2001, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

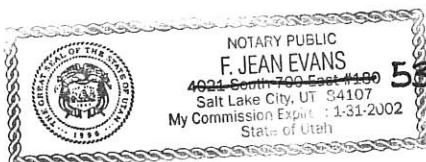
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.


FURTHER, Affiant saith not.

DATED this 19 day of October, 2001.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 19th day of Oct., 2001, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.




NOTARY PUBLIC
Residing at: Salt Lake City, Ut
My Commission Expires: 1/31/02

UAC INSURANCE MUTUAL

General Budget

	2002 Budget
REVENUE	
Premiums Written	3,576,825
Investment Income	300,000
Miscellaneous Income	
TOTAL REVENUE	3,876,825
LOSSES AND LOSS EXPENSES	
Losses	1,850,000
Claims Management Expenses	232,960
Reinsurance	1,064,659
Loss Adjustments for Previous Years	0
TOTAL LOSS EXPENSES	3,147,619
ADMINISTRATION EXPENSES	
Broker Fees	80,000
Administration Fees	494,804
Professional Fees	30,255
Interest Expense	0
Other Expenses	31,300
TOTAL ADMINISTRATION	636,359
TOTAL LOSSES AND EXPENSES	3,783,978
NET INCOME	92,847

UACIM SAFE DRIVER PLAN

UACIM Board of Directors Meeting

19 October 2001

Mark W. Brady, Loss Control Manager

A. Assessing Auto Claims and Losses.

1. Trends in auto loss and claims.
 - a. 5 year claims
 - b. 5 year loss
2. Exposures
3. "Avoidables"
 - a. Distractions
 - b. Speeding
 - c. Following too closely
 - d. Failure to yield
 - e. 60%
4. Departments at Risk
 - a. Public Works
 - b. Sheriff
 - c. Fire/Ambulance
 - d. Health
 - e. Assessor

B. Reducing Loss

1. 2 part approach
 - a. Prophylactic
 - b. Post-incident
2. Prophylactic
 - a. Goals
 - b. Incentives
 - c. Liabilities
 - d. Training
 - e. Policies
 - f. Technological Monitoring
3. Post-incident
 - a. Remedial Training
 - b. Discipline

- c. Accident Review
- d. Technological Evaluation

C. Safe Driver Plan

1. Current RMP-
 - a. Largest incentive for vehicle safety section
 - b. Driver license Checks-prior to hiring as well as annual review
 - c. Accident Review
 - d. Maintenance records for County-owned vehicles and heavy equipment
 - e. Written Policy-seat belts, accident reporting, CDL
 - f. Training every 5 years (and first year of employment)
 - g. Remedial Training required for those who have lost license, or 2 moving violations, or DUI
 - h. EVO training for Deputies, Ambulance, and EMT's
2. Other Prophylactic measures
 - a. Set Goals and short-range objectives with each county
 - b. Policies and job descriptions that clearly identify driving requirements
 - c. Technological monitoring
 - d. Provide and coordinate training
3. Post-incident
 - a. Remedial training for those causing accidents
 - b. More significant discipline recommendations from Accident Review Boards and Department Heads
 - c. Remove offenders from driving positions
 - d. Not allow offenders to drive until remedial training taken
 - e. Technological evaluation

D. Independent Witness pilot program-Steve Williams.

E. UACIM Services

1. Provide consultations as requested/necessary
2. Provide Defensive Driving Course
3. Coordinate training for EVO and public works
4. RMP changes as approved by the Board
5. Strategic Planning/Statistical Analysis with each County at least semi-annually
6. Monitoring and evaluation of the Independent Witness program
7. Update RMP incentives

AUTOMOBILE CLAIMS/LOSS

YEAR	CLAIMS	LOSS	EXPOSURES/VEHICLES
1992	151	\$248,000	
1993	169	457,000	
1994	236	884,000	
1995	157	226,000	
1996	123	216,000	
1997	131	369,000	2,037
1998	185	660,000	2,065
1999	168	413,000	2,402
2000	180	316,000	2,799
2001*	177**	587,000***	2,863

*3/4 YEAR TOTALS

** Extrapolating from current data predicts a final year number of 236 claims.

*** Extrapolating from current data predicts final loss for the year of \$782,000

ABOUT THE “*WITNESS*”

Independent Witness Incorporated introduces “black box” technology for vehicles. Its function is to....

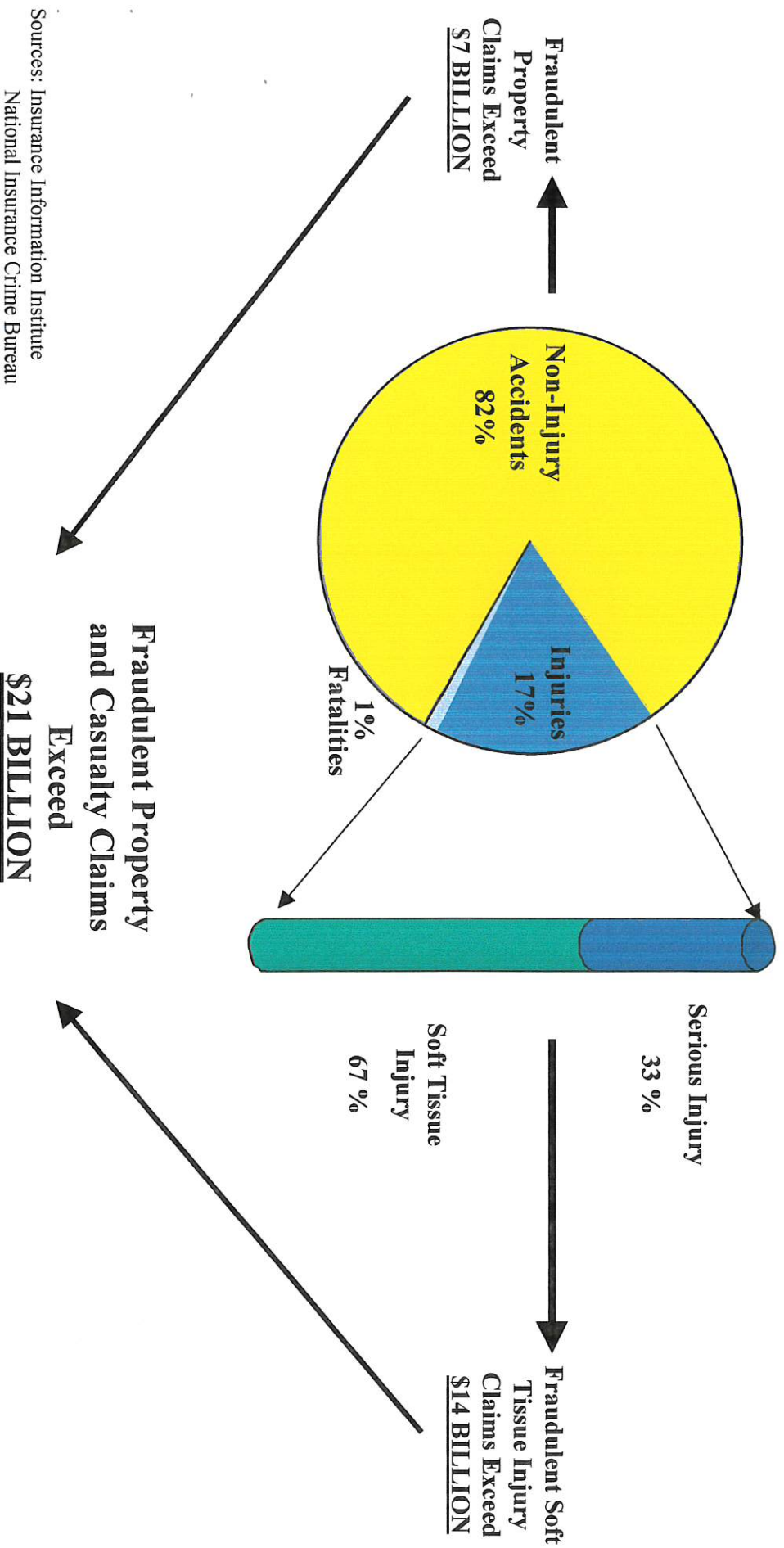
- Provide objective information of a collision and its severity
- Expose exaggerated/fraudulent “soft tissue” injury claims
- Create driver awareness improving safety, reducing accidents
- Meet the SAE J211, courtroom admissible standard
- Record date, time, magnitude, and direction of acceleration in three dimensions

Our patented technology out performs **all** other companies. IWI currently has thousands of recorders in the field, all of which are specifically designed for the automotive market and consequently the courtroom. IWI has met the compliance of the Society of Automotive Engineers (**SAE**), by exceeding their J211 specifications. The *Witness* is calibrated and traceable according to the National Institute of Standards and Technology (#822/262123-99). IWI has successfully tested, on three separate occasions, to meet the recognized compliance of the high DOT's, National Highway Traffic Safety Administration (**NHTSA**) testing standards. Successful tests have also been performed with the Insurance Institute of Highway Safety (**IIHS**). You may be familiar with the numerous **DATELINE** car crash specials. The *Witness* was, by far the BEST product tested in these round robin test with manufacturers of CDR's (crash data recorders). Key contacts at NHTSA and IIHS are available to verify all information stated.

The *Witness* is battery powered with a patented 2.5-year battery life, is approximately 1 x 3 x 6 inches in size, and weighs less than two pounds (1.75 lbf). The IWI device has roll, pitch, and yaw measurement capabilities with configurable sample rates of 0 to 4.5 KHz/channel: we have 8 channels, 6 accelerometers. In addition to the box, our reconstructionist software and database is exceptional, which is why IWI is doing business with one of the top five insurance companies in the United States today.

The Cost of Fraud

More than 36 million motor vehicle crashes occurred on our highways in 2000. Less than 1 percent of total crashes result in death. Of the remaining 99 percent of accidents, 32 percent result in some kind of injury. 67 percent of these injuries are soft-tissue which are easy to fake and difficult to disprove. The National Insurance Crime Bureau states 20 percent of people involved in minor fender bender accidents make claims for injuries that are fraudulent.



***"It is time for all modes of transportation to realize
the unlimited potential that recorder technology
has to offer, both in terms of economics and safety."***

James Hall, chairman of the National Transportation Safety Board

The NTSB is so convinced of recorders' benefits that its new "Most Wanted List" of safety improvements includes use of the devices on cars, buses, trucks and commuter trains. It has recommended that NHTSA: *"Develop and implement, in conjunction with the domestic and international manufactures, a plan to gather better information on crash pulses and other crash parameters in actual crashes, utilizing current or augmented sensing and recording devices."*

The *Witness* provides an unbiased record of the collision event and its severity. Consider how much time, human resources and money could be saved if all parties involved knew the accident severity and its injury potential on the day of the event? The IWI technology offers power to an industry that has been powerless, providing the ability to pay, deny, submit, or retract claims the day they are filed, with confidence! More importantly, it offers something no testifying engineer can offer... **OBJECTIVITY!**

With feedback from our clients, we are seeing numerous benefits of the *Witness*: (1) increased driver awareness, improving safety and lowering the number of accident occurrences, (2) reduction in bodily injury claim payouts and (3) reduced property damage losses.

- ***Increased Driver Awareness, improving safety and lowering the number of accident occurrences***

Please review the attached conclusions from a sampling of European EDR studies. You will find this information very insightful when evaluating the U.S. market potential for this technology. IWI has developed its own case study supporting European EDR studies. Since installing the *Witness* in our beta site, the number of accidents in our client's fleet has been reduced by 56%. This also equates to a decrease in equipment abuse of 50-60%, providing a solid return on investment.

"This is the most exciting piece of technology that I've seen in our industry. The smart consumers and businesses that have a true idea of their bottom line will be the ones stepping up to the plate in bringing the Witness technology to their company and clients."

Paul Viollis, VP, Kroll Corporate Services Group

- ***Reduction in bodily injury claim payout***

The *Witness* can significantly reduce exaggerated soft tissue claims resulting from low speed motor vehicle accidents. The *Witness* is the only battery powered EDR exceeding the SAE (Society of Automotive Engineers) J211 Standard in recording the date, time of impact and magnitude and direction of acceleration in three dimensions, including roll, pitch and yaw.

"The concept is very useful. If you've got something that could objectify what happened in an accident, that could easily save thousands of dollars."

Edward Ogilvie, Utah Assistant Attorney General

- ***Reduction in property damage losses***

Losses from unallocated damage expenses continue to be an escalating problem for fleet owners. Knowing the date, time and magnitude of an event (recorded by the *Witness*) allows owners, for the first time, to subrogate against the responsible party and recover some if not all damage expenses.

"When you look at the technology and the protection that IWI is offering to such a wide variety of industries, it's hard not to get excited about what the Witness can do."

Scott Nelson, assistant V.P., Marsh USA

Technical Features of the Accident Data Recorder

Before discussing these two aspects, accident prevention and accident analysis, it will be useful to briefly explain the functions of the black box called Accident Data Recorder. This device will remind you of a flight recorder for use in passenger cars, trucks, and busses.

With regard to accident prevention experience gained with the Accident Data Recorder during the last four years became evident that it considerably influences the driving behavior and thus contributes to accident prevention.

In a number of vehicle fleets the accident rate and damages incurred could be reduced by up to 30%. How can this achievement be explained? It is the knowledge about the fact that the driving behavior can be checked objectively at any time which makes the driver behave more attentively in critical accident-bound situations. More careful driving will also cause less wear of material. The Accident Data Recorder can thus directly improve the running costs of a fleet company.

Out of the numerous series of preventive experience a few examples are shown below:

Police of Berlin

Fitting all 62 patrol cars of a Berlin police head office in 1996 reduced the number of accidents due to the driver's own fault by 20% and by 36% in emergency trips. The cost involved could be reduced by approx. 25%.

These positive results induced the Berlin police authority to equip all their patrol cars - these are more than 400 vehicles with the Accident Data Recorder.

WKD Pinkerton Security GmbH

In this company for property protection all passenger cars (approx. 100) that are used with a changing crew are fitted with Accident Data Recorders. This led the drivers to drive more carefully, adapting their driving behavior to the individual traffic situation, with the result that the number of accidents decreased by 30%, minor damages even by 60%. This in turn led to considerable savings of insurance premiums.

WBO (Association of Baden-Württemberg Bus Operators)

In the pilot run, promoted by the Baden-Württemberg Ministry of Transport with the Accident Data Recorder installed in busses run by WBO, 123 Accident Data Recorders were involved. With the busses fitted with an Accident Data Recorder the number of accidents decreased between 15 and 20% compared with the reference period, depending of the company concerned.

Samovar

In Great-Britain, the Netherlands, and Belgium nine vehicle fleets with a total of 341 vehicles fitted with data recording equipment participated in the research program SAMOVAR (Safety Assessment Monitoring on Vehicles with Automatic Recording) conducted by the European Union in the framework of the Drive Project V 2007.

Together with a control panel involved in similar tests a total of 850 vehicles participated in the program. The data were collected over a period of 12 months. The result shows that the accident rate decreased by 28.1% by the use of the vehicle data recorder.

The Samovar Report finally concluded that the intelligent use of a vehicle data recorder is able to make a considerable, distinctive, and independent benefit to road traffic safety.

CONCLUSION AND REQUESTS TO THE TRAFFIC POLICY

Onboard computers and specially the Accident Data Recorder have been designed as a contribution to road safety and legal security. The experiences at hand show that the systems can come up with the expectations placed in them. In view of the accident rates on our roads and the resulting human and economic damage we should make traffic policy aware of the opportunities of improving traffic safety conditions by means of vehicle data recording devices. It is also a question, which we have to find an answer for, whether we can accept a considerable lack of justice for traffic victims if modern technology offers relief.



"Independent Witness Incorporated Customers are experiencing the benefits of the WITNESS™, and they like what they see!"

The Halo Effect

Altamonte Springs, Florida instrumented half of their police vehicle fleet with the WITNESS without disclosing which vehicles were equipped. They had experienced an average of 5-7 unreported property damage claims per month in the past. In the 90 days following the instrumentation they experienced only one claim. They are confident that this is attributable to the presence of the WITNESS!

Three Car Collision in Las Vegas

The middle car in a three-car collision was instrumented with the WITNESS. The passengers of the instrumented cab reported that their driver had rear-ended the car in front and was then struck from behind. Police reports from the scene reflected this and initially placed liability on the middle cab. The acceleration trace provided by the WITNESS (see trace graph 1-2) showed the cab was actually struck from behind and pushed into the car ahead. "Because of this [minimal] investment we saved \$11,200.00 on just one accident. In addition, we've been able to show our drivers the "G" forces they felt in an accident which has had a positive effect on our worker's compensation claims!"

R. Chris Krouch, Director of Operations, Desert Cab, Las Vegas, NV.

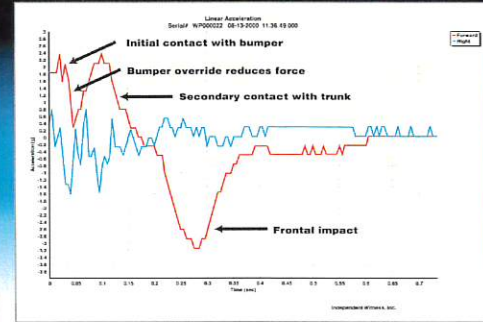


On New Years Eve 1999 (prior to installation), Desert Cab Co. experienced a total of 12 accidents. On New Years Eve 2000, they experienced only 1 accident...

"HALO EFFECT"



***1-1 Actual Accident Scene Photo of cab equipped with the WITNESS
-see Three Car Collision ~ Vegas-***



1-2 Trace Graph of the accident impact accessed the same day from the WITNESS

WITNESS data halts pursuit of Fraudulent Soft Tissue Bodily Injury Claim

An instrumented vehicle collided with another privately owned vehicle, rendering the private vehicle "totaled" (it was an older vehicle worth approx. \$1,800.00). The private vehicle owner retained an attorney to pursue a bodily injury claim relying on the apparent

assumption that a "totaled" vehicle would garner jury sympathy. The instrumented vehicle owner presented the WITNESS data to the attorney, showing a relatively low ΔV (change in velocity), indicating a low injury potential. As a result of the objective data recorded by the WITNESS, the plaintiff's attorney immediately dropped the law suit based on the unlikelyhood that he could win!

The WITNESS passes NHTSA crash tests with flying colors!

The Director of the National Highway Traffic Safety Administration (NHTSA) Test Facility recently visited the offices of IWI. They were anxious to test the WITNESS in their facility. The tests results validated the accuracy of the WITNESS. In each test crash our recorded ΔV (change in velocity) data results matched NHTSA's test equipment within an acceptable 2% margin of error!

Independent WITNESS Incorporated

1515 West 2200 South, Suite E, Salt Lake City, Utah 84119
Phone 801-886-2255 Fax 801-886-2849 Toll Free 866-2WITNESS

Subject: Extra Expense

Date: Wed, 17 Oct 2001 10:20:13 -0700

From: John_Chino@ajg.com

To: Sonya White <sonya@uacnet.org>, "Shawn Guzman" <sguzman@uacnet.org>

CC: Rich_Stokluska@ajg.com

Sonya-

I need to report to the Board on a change in coverage terms for 2002 on the property policy. Apparently, Travelers has instructed us that they are only providing a \$1,000,000 limit per county for Extra Expense coverage.

Here is a definition of Extra Expense Insurance:

This is coverage for county locations that would probably not "shut down" in the event of major physical damage to the property and would find it imperative to remain in operation. If a county location or operation is vital to the public, then it needs extra expense coverage to insure against the extra cost of keeping the location open or operating despite damage to existing facilities.

My understanding is that we shall continue to have a total limit for the Mutual of \$25,000,000, with a sub-limit of \$1,000,000 per county (presumably per loss). Rich please, confirm that this is correct.

**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2000 RISK MANAGEMENT PROPOSAL**

PERFORMANCE MEASUREMENT

In addition to the basic fee for services, Arthur J. Gallagher & Co. is eligible for bonuses of up to \$20,000 for the 2000 program year.

Arthur J. Gallagher & Co.'s performance shall be measured at the end of each quarter, using the following criteria:

- Review, analyze, and provide recommendations to UACIM regarding deductibles, self-insured retentions, loss funds, and program structures.
- Bind coverage on behalf of UACIM as required.
- Provide alternative quotations on ancillary coverages as requested by UACIM.
- Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
- Assist in marketing the UACIM program to other Utah counties.
- Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
- Participate, when invited, in monthly UACIM Board of Directors meetings.
- Participate in all full membership meetings.
- Review, analyze, and respond to UACIM questions pertaining to coverage or servicing issues.
- Return all phone calls within 24 hours.
- Review policies, endorsements, and certificates for accuracy. Request changes as needed.
- Quote, bind, and process bonds as needed.
- Act as an intermediary, when requested, between the Utah Department of Insurance and the UACIM.
- Assist the UACIM staff with members' concerns, questions, or general service issues.

Arthur J. Gallagher & Co. will be eligible for up to 25% of the annual bonus, or \$5,000, at the end of the quarter. Performance bonuses will be billed no later than 30 days after the end of each quarter.



JOINT POLICY
INSURANCE COVERAGE FOR SPECIAL SERVICE DISTRICTS, CHILDREN'S JUSTICE
CENTERS, AND OTHER ENTITIES

A Utah Association of Counties Insurance Mutual (hereinafter referred to as UACIM) member county may obtain insurance coverage through UACIM for entities, other than Children's Justice Centers, affiliated with the member county pursuant to the following:

1. With regard to entities such as special service districts and other political subdivisions, the member county must have the following controls over the entity through the member county's governing body:
 - a. The governing body of the member county must approve and/or appoint 50% or more of the governing body of the entity, and
 - b. The governing body of the member county must provide 50% or more of the funding of the entity, and
 - c. The governing body of the member county must have the authority to hire and terminate the employees of the entity.
2. A UACIM member county may obtain Liability Insurance Coverage as provided in the UACIM Coverage Agreement for Children's Justice Center Local Advisory Board Members who do not serve due to public office upon the following conditions:
 - a. The Children's Justice Center is established under Chapter 5b of Title 67 of the Utah Code;
 - b. The County is the contracting public agency under 67-5b-104(e) of the Utah Code;
 - c. The Children's Justice Center Local Advisory Board member does not serve due to public office as provided for in 67-5b-105(1)(b) through (e);
 - d. The Children's Justice Center Bylaws authorize the member county to remove any board member who does not serve due to public office as provided for in 67-5b-105(1)(b) through (e) at any time and for any reason; and
 - e. The member county has provided UACIM a copy of the duly adopted bylaws with the language specified in subsection 2(d), and UACIM has acknowledged receipt of the bylaws.

Notwithstanding subsection 2(c), county elected officials serving on the Children's Justice Center Local Advisory Board in their capacity as elected officials shall be covered under the member county's UACIM liability insurance policy to the same extent as when conducting county business. County employees serving in their capacity as employees shall be covered to the extent provided in the UACIM Coverage Agreement.

3. Insurance coverage through UACIM may be obtained for non-profit corporations (those exempt from taxation under Internal Revenue Code 26 U.S.C. 501), municipalities, or other political subdivisions, that contract to provide services to the member county, subject to the following criteria being met:
 - a. The contract is for the benefit of, and is executed under the authority of the member county, and
 - b. The member county is legally authorized to provide the service, function or facility which is the subject matter of the contract, and
 - c. The member county is obligated by the contract to provide insurance coverage to the other party to the contract, and
 - d. A copy of the contract has been provided to the UACIM.

contractor, employee or officer of the Mutual in activities relating to the purposes and powers of the Mutual.

- e. Provide information requested by the Mutual, its Administrator, and any other agent, contractor, employee or officer of the Mutual, as reasonably required for the administration of the Mutual.
- f. Allow the Mutual, and attorneys and others designated by the Mutual, to represent the Member in the investigation, settlement and litigation of any claim within the scope of loss protection furnished by or through the Mutual and also to deny coverage for any claims settled by Member counties or for any monies paid by Member counties toward claims without the prior written approval of MUTUAL.
- g. Follow the claims, loss reduction and prevention, and risk management policies and procedures established by the Board.
- h. Report to the Mutual, in the form and within the time required by the Board, all incidents or occurrences which could reasonably be expected to result in the Mutual being required to consider a claim.
- i. Report to the Mutual, in the form and within the time required by the Board, the addition of new programs and facilities or the significant reduction or expansion of existing programs and facilities.

ARTICLE 5. Board of Trustees.

- 5.1 The Board shall be composed of eleven persons, nine of which shall be elected by the Members (elected Trustees) and two of which shall be appointed (appointed Trustees).
- 5.2 Each Trustee shall be an elected or appointed officer or an employee of a Member. At least one Trustee shall serve on the Board of Directors of the Utah Association of Counties. Three elected Trustees shall be representatives from first, second, or third class counties and three elected Trustees shall be representatives from fourth, fifth or sixth class counties, as defined in Utah Code Ann. §17-16-13. ~~Three of the remaining elected Trustees shall be elected at large. The final~~ Two appointed Trustee positions shall be reserved for the Chair of the Litigation Management Committee and the Chair of the Law Enforcement Committee, which positions shall be appointed by the Board. No person convicted of a felony may serve as a Trustee.
- 5.3 Election of Trustees shall take place at the annual meeting of the Members. Elected Trustees shall assume office at the first Board meeting of the calendar year following their election.
- 5.4 Terms of the elected Trustees shall be two-year overlapping terms.

5.5 The Board of Trustees shall elect three Trustees to serve on a Nominating Committee at the first Board meeting of each calendar year. The Nominating Committee shall solicit nominations for available elected Trustee positions. Any elected official of a Member or any Trustee may nominate eligible persons to run for available elected Trustee positions. Nominations will be received at the UACIM Mutual office no later than 14 30 days prior to the meeting at which the election is scheduled. UACIM The Mutual will verify that each person nominated nominee is willing to serve if elected before placing that persons name on the ballot. forwarding the nominations to the Nominating Committee. The person conducting Trustee elections shall also call for nominations from the floor and accept such nominations provided that the nominee expresses, or has expressed in writing, a willingness to serve if elected. The Nominating Committee shall review the nominations and select by a majority vote not more than three names to be placed on the ballot for each available elected Trustee position. A person may not be nominated and placed on the ballot for more than one available elected Trustee position. In the event that no nominations are received for one or more available elected Trustee positions, the President of the Board of Trustees can solicit nominations from the floor on the following conditions:

- a. The nominee is eligible to serve as a Trustee under Subsection 5.2 of this Article; and
- b. The nominee, if present, expresses a willingness to serve, or, if not present, the Mutual has verified that the nominee has expressed in writing a willingness to serve.

5.6 In the event of a tie vote for elected Trustee positions:

- a. If two nominees are running for the same elected Trustee position, the President of the Board of Trustees may conduct a coin toss when the votes are tied.
- b. If three nominees are running for the same elected Trustee position and two of the three nominees have an equal and highest number of votes, the President of the Board of Trustees may call for a revote between the two nominees receiving the equal number of votes.

5.7 A vacancy shall occur on the Board when a Trustee:

- a. Submits a written resignation to the Board.
- b. Dies.
- c. Is no longer an elected or appointed officer or employee of a Member.
- d. Fails to attend three consecutive regular meetings of the Board without the Board having excused such absences except that such additional absence or absences shall be excused for temporary mental or physical disability or illness.

UAC INSURANCE MUTUAL

Annual Membership Meeting

November 14, 2001, 3:00 p.m.
Dixie Convention Center, **Ballroom C**
St. George, UT

A G E N D A

3:00	Call to Order & Member Roll Call	Gary Herbert
	Approval of November 2000 Minutes	Gary Herbert
	2002 Board of Trustees Nominations & Elections	Gary Herbert
	Approval of the 2002 Budget	Ken Bischoff
	Claims Administration Report, McLarens Toplis North America, Inc.	
	Introductions	Kevin Lindell
	Services & Loss Experience	Charmaine Green
	Claim Frequency/Severity	Korby Siggard
	Loss Control Manager's Report	Mark Brady
	Broker's Report, Arthur J. Gallagher & Co.	
	The Hard/Soft Insurance Market Place	Jim Gault
	How the National Market Affects the Mutual	Rich Stokluska
	What Have We Done For You Lately?	John Chino
	Committee Reports:	
	Audit	Tex Olsen
	Law Enforcement	Ed Phillips
	Litigation Management	Kent Sundberg
	Personnel	Steve Baker
	The Mutual Then & Now—Celebrating 10 Years	Sonya White
	Piece of the Pie—Member Equity	Shawn Guzman
	Presentation of Outstanding Achievements	Gary Herbert
	Election Results	Gary Herbert
5:00	Dinner for Meeting Attendees and their Spouses	Ballroom D
	Sponsored by Arthur J. Gallagher & Co.	

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The Witness monitors impact severity, objectively.